

# ZALANDO

Germany

Cons/Retail Discretionary—E-Commerce Discr. June 12, 2015

**BUY**

## Company description

**Zalando SE** is a Germany-based online shoe and fashion retailer. The Company offers a portfolio of women, men and children clothing. Its assortment comprises a range of shoes, clothes, accessories, beauty products and sports goods from more than 1,500 brands, including fashion companies, designer work and products of zLabels, a private labels arm of the Company. Zalando SE also offers free shipping and 100 days long free return policy. Its offering can be purchased through desktops, tablets and smartphones in approximately 15 European countries. The Company is active in two geographical segments: DACH, comprising the sales in Germany, Austria and Switzerland; and Rest of Europe.

The Company was founded in 2008.

The Berlin-based company was listed on the Frankfurt stock exchange on Oct. 1, 2014.

## Recent developments

May 12, 2015: Zalando delivered Q1 2015 numbers with both revenue and adjusted EBIT exceeded expectations, mainly due to a very strong start into the spring/summer season. The company recorded an accelerating top-line growth with sales increasing 29% to €644m with strong growth across all regions (DACH +22% and Rest of Europe +37%). Active customers growth accelerated to 14% y/y to 15.4 mio, thus making Zalando the largest fashion website in Europe.

The Company also reported that 2015 revenue growth will be on the higher end of the 20-25% range and 2015 EBIT margins would be in-line with Q1 2015 margins.

## Upcoming events:

August 13, 2015: Q2 2015 results

November 12, 2015: Q3 2015 results

## Investment conclusion

Company's strengths:

- Appealing structural growth potential for online apparel;
- Attractive distribution channel;
- Efficient logistics infrastructure with Zalando mobile platform rapidly growing.

While the overall apparel market in Europe is seen to be saturated, online should continue to outperform overall industry growth driven by a constantly increasing online penetration putting Zalando in the right place to reap appealing growth opportunities.

However, even though the e-Commerce market is expected to continue to grow double digit, the risk for the company could come from multiple competition due to low entry barriers (with the number of e-Commerce companies growing by a similar rate).

Historically, Zalando has heavily invested in brand building which had resulted in elevated marketing spending of 27% of sales. We can also wonder if the company will be able to reduce its marketing spending in future.

The share price rose +44.1% since its listing on the Frankfurt stock exchange on Oct. 1, 2014.

Interesting growth story.

## Performance



	1m	3m	Since 01.10.2014
Absolute perf.	8.4%	30.2%	44.1%
DAX	-2.4%	-5.1%	19.3%

## Market data

Share price (EUR), as of June 12, 2015:	<b>30.99</b>
52-wk range:	17.01–31.25
Mkt cap (EUR m):	7'600
Nb of shares issued:	246.6m
Bloomberg ticker:	ZAL:GR
Isin:	DE000ZAL1111

## Financial summary (In mio EUR) & Valuation

	2013	2014	2015e	2016e
Sales	1'762	2'214	2'780	3'392
EBIT	-164	62	110.4	163.8
Net Income *	-116.6	47.1	92.8	136.8
EPS	-	-	0.32	0.50
DPS (per EUR)	-	-	-	-
Div. yield (%)	-	-	-	-
P/E	-	-	82.4	55.1

\* before XI items

Source: Bloomberg

## Equity rating—Bloomberg consensus

		Nb of analysts
Buys	56.3%	9
Holds	31.3%	5
Sells	12.5%	2